

ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Budget & Fiscal Review Committee Analyst: Rachel Coco Bill Number: SB 1052

Related Bills: See Legislative History Telephone: 845-4328 Amended Date: February 18, 2004

Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Natural Heritage Preservation Tax Credit/Limit Dates

SUMMARY

This bill would limit the period in which the Natural Heritage Preservation tax credit may be awarded and claimed.

SUMMARY OF AMENDMENTS

The February 18, 2004, amendments removed language that would have made technical changes to provisions relating to assigned risk plans and replaced it with language that would limit the period in which the Natural Heritage Preservation tax credit can be awarded and claimed.

This is the department's first analysis of this bill.

PURPOSE OF THE BILL

According to the author's office, the purpose of the bill is to provide budget relief by limiting the years in which new tax credits may be awarded.

EFFECTIVE/OPERATIVE DATE

This bill would be effective January 1, 2005, and operative with respect to the award of Natural Heritage Preservation tax credits for the 2003/2004 and 2004/2005 fiscal years.

POSITION

Pending.

ANALYSIS

FEDERAL/STATE LAW

Current federal and state tax laws provide various tax credits designed to provide tax relief for taxpayers that incur certain expenses (e.g., child and dependent care credits) or to influence business practices and decisions or achieve social goals.

Under the California Public Resources Code (PRC), the Natural Heritage Preservation Tax Credit Act of 2000 was established to encourage donations of land to the state, to local governments, or to designated nonprofit organizations.

Board Position:

<input type="checkbox"/> S	<input type="checkbox"/> NA	<input type="checkbox"/> NP
<input type="checkbox"/> SA	<input type="checkbox"/> O	<input type="checkbox"/> NAR
<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input checked="" type="checkbox"/> PENDING

Department Director

Date

Gerald H. Goldberg

3/11/04

Under the PRC, the Wildlife Conservation Board has the authority to award no more than a total of \$100 million in Natural Heritage Preservation tax credits beginning with fiscal year 2000/2001 and ending with fiscal year 2004/2005.

Under the Revenue and Taxation Code (R&TC), a taxpayer is allowed an income tax credit of up to 55% of the donated property's fair market value of any qualified contribution made on or after January 1, 2000, and prior to December 31, 2005. Any unused credit may be carried over for up to seven years.

Due to budget constraints, the credit was suspended for fiscal year 2002/2003. The suspension of the credit ended July 1, 2003; however, the Wildlife Conservation Board has not accepted any new applications or awarded any new credits since the suspension ended.

THIS BILL

Currently, the Wildlife Conservation Board has the authority to award the Natural Heritage Preservation tax credit through fiscal year 2004/2005 for contributions of property made prior to December 31, 2005. This bill would limit award of the tax credits to fiscal years 2000/2001 and 2001/2002. In addition, this bill would limit the tax credits to contributions of property made prior to December 31, 2002.

IMPLEMENTATION CONSIDERATIONS

Implementing this bill would not impact the department's programs or operations.

LEGISLATIVE HISTORY

AB 2097 (Oropeza, 2003/04) would extend the fiscal years in which the Natural Heritage Preservation tax credit may be claimed and awarded. AB 2097 is currently in the Assembly Rules Committee.

AB 238 (Oropeza, 2003/04) would have extended the fiscal years in which the Natural Heritage Preservation tax credit may be claimed and awarded. AB 238 failed to pass out of the house of origin by the constitutional deadline.

AB 3009 (Budget Committee, Stats. 2002, Ch. 1033) suspended the authority of the Wildlife Conservation Board to award Natural Heritage Preservation tax credits between July 1, 2002, and June 30, 2003, inclusive.

SB 1647 (O'Connell, Stats. 2000, Ch. 113) established the Natural Heritage Preservation Tax Credit Act of 2000 in the PRC and established the tax credits within the Revenue and Taxation Code (R&TC).

OTHER STATES' INFORMATION

Florida, Illinois, Massachusetts, Michigan, Minnesota, and New York laws do not provide a credit comparable to the Natural Heritage Preservation tax credit addressed by this bill. The laws of these states were reviewed because their tax laws are similar to California's income tax laws.

FISCAL IMPACT

This bill would not significantly impact the department's costs.

ECONOMIC IMPACT

Revenue Estimate

This bill would result in the following revenue gain:

Revenue Impact * (\$ Millions)					
Fiscal Year	2005-06	2006-07	2007-08	2008-09	2009-10
Revenue Change	+\$13	+\$12.5	+\$12.5	+\$12.5	+\$12.5

* This multi-year pattern reflects an average carryover period of four years under current law for any allocations issued.

This bill does not consider the possible changes in employment, personal income, or gross state product that could result from this measure.

Revenue Discussion

The Natural Heritage Preservation Tax Credit Act of 2000 set aside \$100 million dollars for the preservation of qualified property. Actual allocations of tax credits totaled \$37 million for 2001 and 2002. The remaining \$63 million has yet to be allocated. Under this bill, the Wildlife Conservation Board would be unable to award any new tax credits; thus, the estimate above reflects the revenue impact attributed to the remaining \$63 million not being awarded (\$63 million divided by 5 fiscal years (average carryover period) = \$12.5).

LEGISLATIVE STAFF CONTACT

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